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FM AMEMBASSY BUENOS AIRES  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8995  
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUCPDOG/USDOC WASHINGTON DC  
RUEHRC/DEPT OF AGRICULTURE USD FAS WASHINGTON DC  
RUEHC/DEPT OF LABOR WASHINGTON DC  
RUEAIIA/CIA WASHINGTON DC  
RHEHNSC/NSC WASHINGTON DC  
RHMFIUU/HQ USSOUTHCOM MIAMI FL  
RUEHAC/AMEMBASSY ASUNCION 6472  
RUEHBK/AMEMBASSY BANGKOK 0066  
RUEHBJ/AMEMBASSY BEIJING 0160  
RUEHBR/AMEMBASSY BRASILIA 6326  
RUEHCV/AMEMBASSY CARACAS 1432  
RUEHHI/AMEMBASSY HANOI 0028  
RUEHIL/AMEMBASSY ISLAMABAD 0037  
RUEHJA/AMEMBASSY JAKARTA 0030  
RUEHKL/AMEMBASSY KUALA LUMPUR 0056  
RUEHLP/AMEMBASSY LA PAZ 4848  
RUEHML/AMEMBASSY MANILA 0055  
RUEHMN/AMEMBASSY MONTEVIDEO 6680  
RUEHNE/AMEMBASSY NEW DELHI 0077  
RUEHSG/AMEMBASSY SANTIAGO 0702  
RUEHUL/AMEMBASSY SEOUL 0103  
RUEHGP/AMEMBASSY SINGAPORE 0047  
RUEHCI/AMCONSUL KOLKATA 0004  
RUEHCN/AMCONSUL CHENGDU 0004  
RUEHCG/AMCONSUL CHENAI  
RUEHCHI/AMCONSUL CHIANG MAI 0004  
RUEHGZ/AMCONSUL GUANGZHOU 0096  
RUEHHK/AMCONSUL HONG KONG 0023  
RUEHKP/AMCONSUL KARACHI 0012  
RUEHLH/AMCONSUL LAHORE 0006  
RUEHBI/AMCONSUL MUMBAI 0019  
RUEHRI/AMCONSUL RIO DE JANEIRO 2322  
RUEHSO/AMCONSUL SAO PAULO 3489  
RUESLE/AMCONSUL SHANGHAI 0020  
RUEHSH/AMCONSUL SHENYANG 0008  
RUEHIN/AIT TAIPEI 0032

UNCLAS SECTION 01 OF 04 BUENOS AIRES 001648

SIPDIS

SIPDIS  
SENSITIVE

PASS NSC FOR MICHAEL SMART  
PASS FED BOARD OF GOVERNORS FOR PATRICE ROBITAILLE  
PASS USTR FOR KATHERINE DUCKWORTH AND MARY SULLIVAN  
TREASURY FOR ROSELLEN ALBANO  
USDOC FOR 4322/ITA/MAC/OLAC/PEACHER  
US SOUTHCOM FOR POLAD  
SEOUL PASS TO PUSAN

E.O. 12958: N/A  
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TW, TH, VM  
SUBJECT: ARGENTINA: NON-TARIFF TRADE BARRIERS NOT YET OFFICIAL, BUT  
BROADLY APPLIED

Ref: (A) Buenos Aires 1644  
(B) Buenos Aires 1642  
(C) Buenos Aires 1496  
(D) Buenos Aires 1445

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Summary  
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¶1. (SBU) President Kirchner's announcement late last week of non-tariff measures aimed at curbing Asian imports is affecting U.S. companies. Argentine customs has held up many Asian import

shipments, including those from U.S. high technology companies Dell and Honeywell, pending clarification of a yet-to-be-published customs notice that requires closer examinations of invoice values against GoA reference prices. The draft customs notice specifically targets imports from 13 Asian countries, including China, India, Hong Kong, South Korea, Indonesia, Malaysia, Taiwan, Thailand, and Singapore. While August 22 media reports say that the GoA plans to take measures to "normalize" the processing of goods held up in Customs over the past days, Post will continue to monitor developments and work to ensure that affected U.S. company imports are treated fairly. GoA officials defend the trade measures as a reasonable response to pervasive under-invoicing by Asian exporters and to the impact on Argentine industry of the dramatic surge in Asian imports over the past two years. Privately, they admit that the measures were largely a pre-election sop to Argentine industrialists whose margins are being eroded by high inflation. Though these measures will likely attenuate the rapid rate of growth of imported Asian products, the GoA appears to have given little thought to potential retaliatory reactions by Asian markets. End Summary.

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A Chronology: Non-Tariff Trade Restrictions  
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¶2. (SBU) On August 17, President Kirchner and Economy Minister Miguel Peirano announced a series of forthcoming non-tariff import restrictions as a defense against "unfair competition" from Asian exporters and particularly from China (Ref A). A resolution published that same day in the GoA's Official Gazette put into force

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a non-automatic licensing process covering a narrow range of luggage goods. The resolution referred to a supplementary annex that has not yet been made available. (In a subsequent August 21 meeting of Econoffs and new Economy Ministry Undersecretary for Trade Ariel Schale, he noted that no annex would be forthcoming.) Separately that evening, Ambassador discussed the GoA's announcement of non-tariff trade restrictions with Chinese Ambassador to Argentina Zhang Tou, who called the GoA's announcement a surprise (Ref B).

¶3. (SBU) Notwithstanding the extremely narrow scope of this published resolution, by Saturday August 18 a broad range of Asian country imports into Argentina were subject to controls, delays, and the refusal of GoA customs officials to process their paperwork. Later media and anecdotal reporting from U.S. companies made clear that, over the long Argentine holiday weekend, customs officials acting without guidance were holding up the entry of Asian products. The President of the Chamber of Importers of the Argentine Republic and the Executive Director of the Argentine-Chinese Chamber of Commerce were both reported in the press as saying that "all inspection and processing of Asian products has been paralyzed in Customs."

¶4. (SBU) On Tuesday, August 21, Post FCS obtained a draft of a Customs "External Note" that, as of August 23, has yet to be officially published. The note states that that merchandise coming from China, India, Hong Kong, North and South Korea, Indonesia, Malaysia, Pakistan, the Philippines, Taiwan, Thailand, Singapore and Vietnam would be detained if their declared value is below reference prices established by Customs, and would not be released until the importer presented an invoice, validated by the Customs agency of the country of origin as well as by the local Argentine diplomatic mission, and "all original supporting documentation" to Argentine Customs.

¶5. (SBU) On August 21, Dell Computers reported to WHA/BSC that shipments of its laptops from Asian manufacturing plants were being held up by GoA Customs. Post subsequently confirmed that 70 Dell shipments valued at US\$ 1.6 million were being delayed. In an August 22 emergency meeting of the American Chamber of Commerce Trade Committee attended by Econoffs and FCS, a representative of Honeywell confirmed that shipments of "technical equipment" from Asia were being held at airport customs. The justification given by

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GoA customs officials, she reported, was what no customs officer wanted to be responsible for releasing the goods absent clearer guidance from senior GoA officials.

16. (SBU) On August 21, new Economy Ministry Undersecretary for Trade Ariel Schale told EconCouns that the new measures included non-automatic licenses on shoe uppers and synthetic textiles, plus a series of new Customs procedures about documentation and security inspections, which were designed "to avoid a flood" of Asian goods into Argentina. He stated that 5,000 Customs reference prices would be "updated" to deal with pervasive under-invoicing from Asian markets that was costing Argentina dearly in tariff revenue. Argentina, he said, would not support "inhumane production methods in Asia" through purchase of unfairly cheap products. Asian invoices suspected of being artificially low would have to be validated by an Argentine diplomatic mission. The GoA was seeking increased transparency in trade with Asian countries, Schale said, citing the exchange of Customs information with the USG via the Trade Transparency Unit as a model and highlighting poor "information exchange" with China. Separately, on August 21, Ambassador spoke with Foreign Ministry Trade Secretary Chiaradia, who assured Ambassador that new trade measures would be imposed in a non-discriminatory, WTO-consistent manner (Ref B).

17. (SBU) On August 22, local business contacts reported to Econoffs that the new GoA trade measures are being applied by country of origin, not by product, though the earlier August 17 announcements (Ref A) and press coverage indicated that the measures would apply mainly to plastics, textiles, artificial leather, tires, and toys. At least one representative of an importer was told that products at Ezeiza airport would begin to be released on August 22, though products entering at the seaport would continue to be detained. (Comment: This is plausible, as the goods entering via air are likely to be high-value, and therefore less likely to be manufactured locally. End Comment). August 22 television and press reports highlighted GoA intentions to take measures to "normalize" the processing of goods held up in Customs over the past days. Post will continue to monitor developments and work to ensure that affected U.S. company imports are treated fairly.

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China Trade with Argentina: Perspective

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18. (SBU) Argentina's problems with Asian and more specifically Chinese imports began just after he GoA recognized China as a market economy during the visit of Hu Jintao to Latin American in December 2004. The first products to suffer retribution were shoes and toys. Shoe imports quadrupled in the months after Hu Jintao's visit and then-Secretary of Industry (and current Economy Minister) Miguel Peirano imposed import licensing restrictions on footwear, most of which was Chinese or Brazilian. In 2006, local industry filed an anti-dumping case against Asian made writable CD-ROMS which was notified to the WTO. Argentine concerns about rising Chinese and Asian imports were further exacerbated by recent news reports about unsafe toothpaste, recalled toys, and unsafe tires exported from China.

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Comment

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19. (SBU) The announcement by President Kirchner of populist trade measures targeting Asian imports was made just prior to a long holiday weekend, with little apparent thought given to implementation. While initial responses by GoA customs officials should be corrected in the coming days, the measures will likely moderate the rapid rate of growth of imported products from Asian markets. U.S. companies that export from Asian manufacturing bases will inevitably be affected. Despite their public bromides against "unfair trade," GoA officials admit privately that the trade measures were largely a pre-election sop to an Argentine industrial

base whose margins are being eroded by high domestic inflation and Asian imports. It appears unlikely that GoA officials have considered the impact on Argentine agricultural exports of possible reactions in kind by Asian export markets.

WAYNE